



Director of
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SPAIN: Socialists Win Absolute Majority

The Socialists won 194 out of 350 parliamentary seats in yesterday's election, despite a heavy voter turnout that had been expected to favor the right. [redacted]

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Comment: The vote has polarized Spain's party structure around the moderate left and the democratic right, while virtually wiping out the center. The moderate regionalist parties maintained their strength, but the Communists lost nearly two-thirds of their support and will not be able to form their own parliamentary group with only six deputies. [redacted]

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The magnitude of the Socialist victory will create difficulties for party leader Felipe Gonzalez, who would have preferred to govern with a centrist coalition partner. A coalition partner would have partially placated rightists and the military, helped control radicals within the Socialist Party, and given Gonzalez an excuse not to carry out some of the Socialists' more controversial campaign promises. [redacted]

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Gonzalez could still invite a centrist or regional party into his cabinet, citing the need for a broad base of support for Spain's first leftist government in 50 years. Such a move, however, would be hard to sell to some voters and Socialist politicians, and most of the moderating impact of a centrist partner on a Socialist government would be lost. [redacted]

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Nonetheless, Gonzalez will move cautiously despite pressure to implement at least some Socialist promises such as a referendum on NATO membership, partial renegotiation of the bilateral treaty with the US, and reconsideration of the F-18 fighter purchase. He will be aided by the relatively low priority given to foreign issues in the campaign. Additionally, the Socialists are aware that alienating the military would court disaster. [redacted]

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The Socialists have emphasized that no action will be taken on NATO and bilateral matters without consultations with the Allies. This should enable Gonzalez to delay key foreign policy decisions until the new government has assessed their full implications. [redacted]

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SYRIA-PLO: Efforts To Undermine Arafat

Syria, disturbed by continuing discussions between Jordan's King Hussein and PLO chief Arafat, has launched a new campaign to undermine Arafat's leadership position in the PLO. [redacted]

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During Arafat's visit to Amman earlier this month, the Syrian Information Minister publicly challenged the PLO leader's authority to speak for all Palestinians. He made a veiled threat by acknowledging the presence in Damascus of Sabri Al Banna, leader of the breakaway Black June Palestinian terrorist group, who has vowed to kill Arafat and other senior Fatah officials. In mid-October Damascus issued a statement allegedly signed by five radical Palestinian groups that condemned Arafat's talks with Hussein. [redacted]

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Comment: Assad fears Arafat and other pragmatists in the PLO will ally themselves with Jordan, strike a deal with Israel, and exclude Syria from a settlement. He opposes any other state taking the lead on the Palestinian issue and has long sought to make the PLO serve Syrian national interests. [redacted]

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The Syrian leader probably would prefer that Arafat work closely with Damascus and remain the leader of the PLO. Nonetheless, Assad would be likely to try to replace Arafat if he seems to threaten Syria's vital interests. Assad's current aims are to weaken Arafat and encourage the emergence of a more malleable collective leadership. [redacted]

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CANADA: Trudeau's Political Plans

//The resignation this week of Michael Pitfield, a key aide to Prime Minister Trudeau, may signal an announcement by Trudeau that he will not lead his party in the next election.//

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//Pitfield helped persuade Trudeau to run for the leadership of the Liberal Party in 1968, and he has been a close aide throughout Trudeau's tenure. Pundits have long speculated that his departure would be one of the signs that Trudeau was about to step down.//

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Comment: *//The Liberal Party's convention opens next Thursday, and Pitfield's resignation, effective later this year, will increase speculation about Trudeau's plans. The possibility the Prime Minister may bow out before the next election, which is likely to be held in 1984, probably will encourage opposition parties to increase their attacks on his government's economic policies.//*

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//Trudeau's forces initiated their current economic policy in midsummer by introducing a civil-service wage-restraint program. The Prime Minister's three nationally televised talks on the economy last week were unimpressive, however, and high unemployment and inflation rates persist. The announcement on Wednesday of new programs to create jobs is likely to help the government, but the same speech revealed a further increase in the deficit, to US \$19.2 billion.//

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//Although Trudeau probably does not intend to run for prime minister again, announcing this now would hurt his party. The Liberals trailed the Tories by 15 points in recent polls. Trudeau has often disregarded party considerations, however, and he may make an announcement soon.//

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POLAND: Debate Over Living Standards

Discussion of economic policy at the Central Committee on Wednesday indicates there is increasing pressure to give higher priority to consumption. The party secretary for economics said a majority of party organizations want faster growth in living standards than outlined in the draft economic plan for 1983-85. The plan now gives priority to increasing exports and national income by 27 and 16 percent, respectively, by 1985, while per capita consumption is to grow by only 7 percent. US Embassy officers also report workers are unhappy the plan calls for a six-day workweek in more industries and for substantial price rises, starting with a 25-percent increase in 1983.

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Comment: The debate is not likely to cause a dramatic change in targets. The leadership would like to appease workers by offering the prospect of higher living standards, but the massive debt problem leaves little room for maneuver. Even with its trade surplus this year and no payments to Western creditors, Poland will be able to pay perhaps one-third of the interest for 1982 owed private creditors.

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SAUDI ARABIA: Loan to IMF Delayed

Saudi Arabia has delayed a decision on extending a loan of nearly \$4 billion to the IMF because of declining oil revenues. Riyadh has loaned about \$9 billion to the IMF in the last two years.

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Comment: The Saudis presumably will make most of the payment by next spring to avoid political embarrassment and to maintain their recently acquired importance in the IMF. Riyadh has delayed many voluntary financial commitments until it completes a budgetary review. It probably will cut some development expenditures in its budget for the new fiscal year beginning in April.

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LIBYA - CENTRAL AFRICAN REPUBLIC: Military Aid

//A Libyan military team

arrived unannounced in Bangui last weekend, The French Charge subsequently told US diplomats the Libyans will train a new armored unit. The French also report that a sizable shipment of small arms will be delivered in early November and that two Libyan-supplied tanks are awaiting shipment from Tripoli.//

Comment: The Central African Government opportunistically renewed ties with Libya last month in exchange for promises of much needed economic aid that it has not been able to get from France. President Kolingba, who has just visited Paris, hopes his acceptance of Libyan military assistance will force the French to counter with new aid offers. Tripoli is eager to maneuver the Central African Republic into asking Paris to withdraw the 1,300 troops it maintains in the country to protect French regional interests. The Libyans also want to establish a presence in the north as a base for subversion against southern Chad and Sudan.

EC: Budget Compromise

//EC foreign ministers have again reached a compromise on the perennial problem of the UK's contributions to the EC budget. The complicated agreement, announced on Tuesday by British Foreign Secretary Pym, calls for early payment of the refund for 1983--\$790 million--and using the accruing interest to offset additional British contributions required by the end of the year. For the past three years Prime Minister Thatcher has demanded substantial budget rebates from the Community because she believes her country is saddled with a disproportionate share of EC spending.//

Comment: //The compromise postpones annual discussions of this issue until well into 1983. Thatcher may decide to call national elections early next year, and her readiness to accept this arrangement probably reflects her desire to avoid creating another major controversy in the EC. In addition, the Ten have sought to play down internal squabbles in the face of mounting economic disputes with the US. Such annual wrangles over the budget will continue until economic conditions in Western Europe allow a permanent settlement.//

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UK: Considering Import Controls

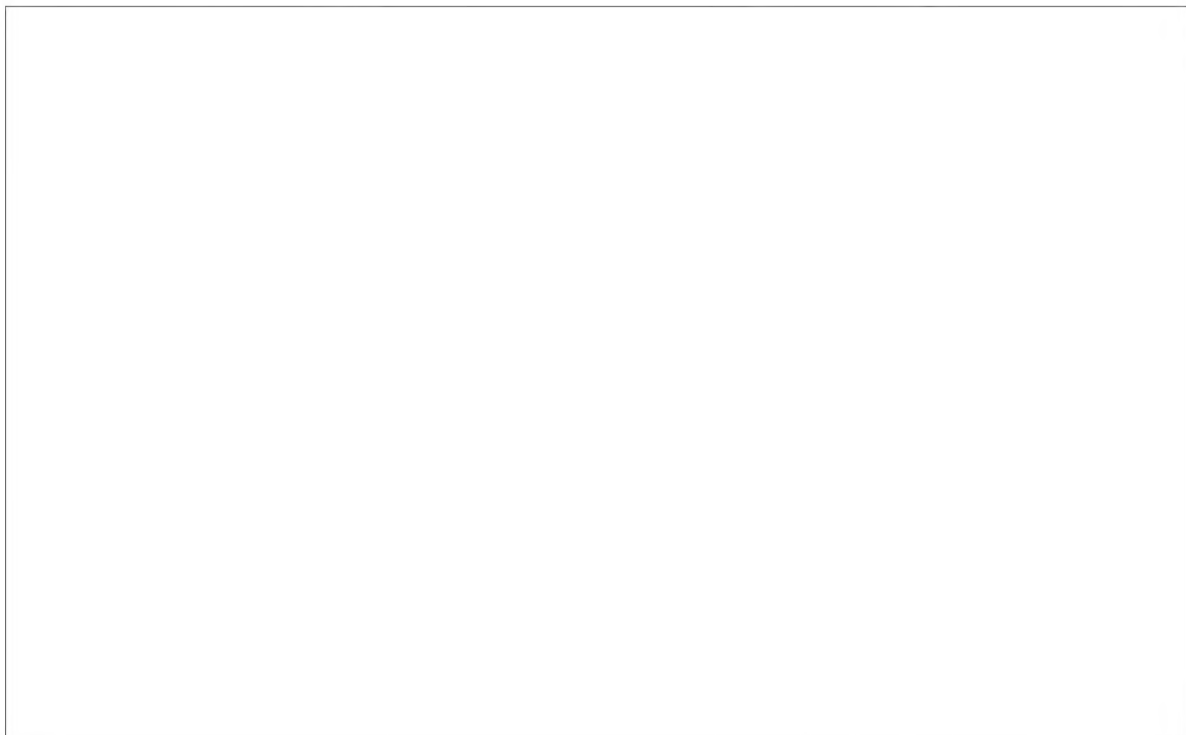
//The cabinet will meet on Tuesday to consider controls on some imports to protect Britain's hard-hit industrial sector. A paper reportedly has been prepared outlining unilateral actions that could be taken against imports from the US, Spain, Japan, South Korea, Brazil, and several East European countries.// [REDACTED]

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Comment: //London probably will first push for voluntary import restraints. With an election approaching possibly as early as next spring and unemployment at over 3.2 million or 12.8 percent of the labor force, however, the government is under growing pressure to retaliate against the protectionist practices of its trading partners. Tory ministers are concerned about their election chances and have been urging Prime Minister Thatcher to make at least a gesture on unemployment, and she may want to retaliate for US trade actions against the Soviet pipeline and on steel. Any such actions against the US probably would be aimed at chemical and agricultural products.// [REDACTED]

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